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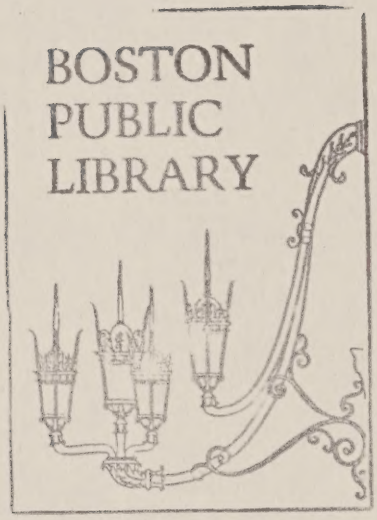
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# Expanding Boston's Convention Facilities

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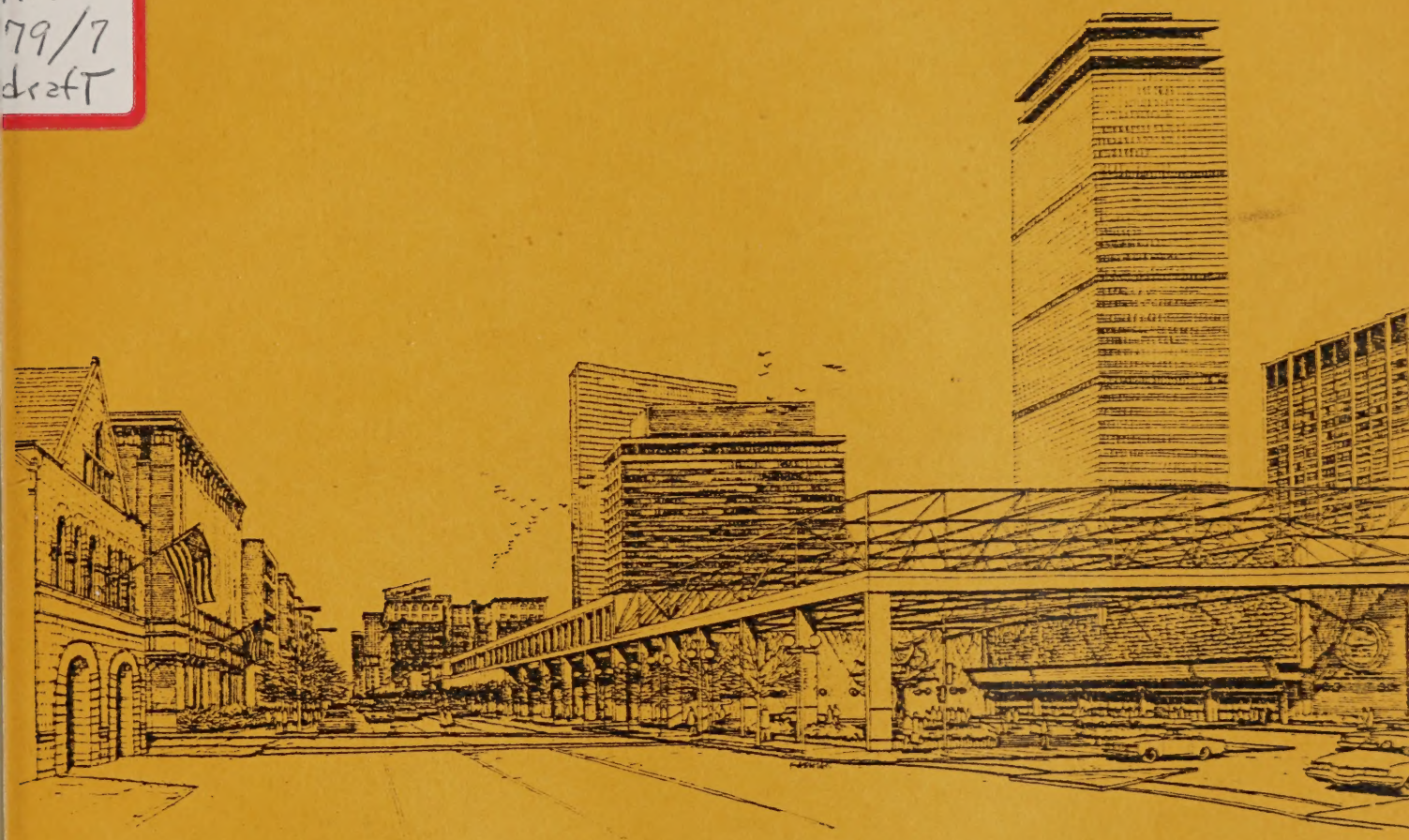

Boston Redevelopment Authority
Robert J. Ryan, Director

City of Boston
Kevin H. White, Mayor

(1976?)

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This report explores many aspects of the convention business in Boston. However, the report directs itself to one major issue: should Boston carry out an expansion program for the Hynes Auditorium or should the City plan for construction of a new and larger convention center.

The report contains a thorough analysis of the options available to the City and the cost benefits involved in pursuing these development options. At the same time, material is presented to show just what Boston might hope to gain from expansion of its convention facilities.

In arriving at the conclusions contained in this report, it has become clear that Boston has little choice but to expand its convention facilities. At the present time Boston is simply losing out on too much convention business because the City does not have sufficient hotel rooms or adequate convention space to accommodate conventions which are interested in coming to Boston.

The convention business is an important part of the local economy. The City is shortchanging itself if it does nothing to encourage growth in this segment of our economy. At the same time, since the revenues generated by the convention business benefit the state far more than they benefit the City itself, it is reasonable for us to recommend that the Commonwealth help finance the expanded convention facilities Boston needs to maintain a competitive position in the convention business.

We think the material contained in this report will help increase understanding about the convention business and its potential for growth. We welcome additional comments on the report and its conclusions.

ROBERT J. RYAN
DIRECTOR

# EXPANDING BOSTON'S CONVENTION FACILITIES

## I. INTRODUCTION

The City of Boston has the potential to double the $80 million annually in expenditures currently generated by convention business. To leverage this growth, it is clear that an expansion of convention facilities is required. At present, there are a growing number of shows which must be turned away from the John B. Hynes Veterans Auditorium because of its limited size, which is 150,000 sq. ft., lack of booking dates, and the unavailability of more than 3,500 hotel rooms in the City committable for a convention.

In considering a convention hall investment strategy, this report:

1. Defines the alternatives for enlarging the City's convention facilities;

2. Analyzes the convention market and evaluates the costs, i.e., investment in convention facilities and hotel rooms required to achieve each option and the benefits, i.e., number and size of shows which each would attract.

3. Recommends a development strategy and a series of next steps needed in order to finance and develop additional convention facilities in Boston.

II. SUMMARY:

A. Conclusions

For the same benefits, investment in a new convention facility would cost about three times the $35m. required for an expanded Hynes.

An Expanded Hynes

Of the existing public meeting facilities (Hynes Auditorium, Commonwealth Pier), only Hynes Auditorium is of suitable location and design to accommodate an expansion plan. The feasibility of expanding Hynes, Alternative I, has been analyzed by the architectural firm, Hoyle, Doran and Berry, who designed this facility. They report that a larger Hynes could be created by adding a new wing between the front of the present building and Boylston Street. This would add two levels of 100,000 sq. ft. of exhibit space and 50,000 sq. ft. of meeting space and create a total facility with 250,000 sq. ft. of exhibit space and 60,000 sq. ft. of meeting space.

This project would also include the renovation of Hynes, the provision of 50,000 sq. ft. of retail space at the street and Plaza levels in front of the Star Market, and the construction of a 600 car parking garage at Dalton Street.

The proposed expansion and renovation of Hynes, provision of parking and retail space is estimated to costs $35m. This investment would enable the City to double the number of shows, from 25 to 50, which annually take place as well as accommodate 80% of the largest shows which currently cannot be accommodated in Boston (see Table 1).

The benefits of this expansion might equal the $80m currently generated anually by convention business in the City because of a possible doubling of the number of conventions and related hotel rooms which would accompany this investment.

A New Facility

The alternative to expanding Hynes is the construction of a new facility of which two options have been considered. Option A consists of a 150,000 sq. ft. exhibit hall, similar in size to Hynes, which could be constructed as part of a new arena or a new convention hotel, both of which have been proposed for the Fort Point Channel area.

The Fort Point Channel area is a logical site for a new convention facility because of its proximity to the downtown, the airport, proposed hotels and the availability of land suitable for accommodating a public exhibit hall. While there are

various possible sites for a new convention facility in the City of Boston, they have in general most of the same assets and liabilities as the Fort Point Channel area. For purposes of this report then, the new development alternative, Option A and B, are discussed within the context of the Fort Point Channel area.

The second option under the new facility alternative (Option B), would be the development of a 300,000 sq. ft. convention center. This facility would be considered the optimum size for Boston's convention market potential. It could attract most of the largest shows which the City cannot presently accommodate.

The construction of a 150,000 sq. ft. facility, Option A, is estimated to cost upwards of $42m. A new facility of 300,000 sq. ft., Option B, would cost at least $75m. In addition, a significant investment in various infrastructure improvements, $10-$20m would have to accompany the development of a new facility in the Fort Point Channel Area, in order to provide suitable access to the Downtown and Back Bay hotel districts.

Limitations of a New Facility

The operation of either of these new facilitiy options would be constrained by the limited size of the show market and the bookings of the existing facilities as well as the unavailability of hotel rooms.

Hynes Auditorium and Commonwealth Pier would continue to attract both national conventions and various gate and trade shows. Because of the limited size of the market, there would be an inadequate number of groups left to fully utilize a new facility. The additional handicap of a new facility would be the need for new hotel construction to serve an exhibit hall which is not within walking distance of any major convention hotel. This requirement would be a significant liability for a 300,000 sq. ft. facility because one-third of the shows annually projected to utilize this facility would require at least 7,000 commitable hotel rooms, double the number which currently exists in the City (see Tables 1, 2).

Only under Option B, a new 300,000 sq. ft. facility, might the benefits resulting from a significant increase in conventions and hotel rooms equal or exceed those which might be generated by an expanded Hynes. But due to limitations in the number of hotel rooms and the size of show market, as well as the costs of constructing a new facility, the City would have a difficult time initiating this investment at the present time.

B. Recommendations

1. Boston should pursue a prudent and staged approach in increasing its convention facilities beginning with an expansion of Hynes.

Since the convention and hotel market is currently too limited to support two convention centers, the City should pursue that development option, Hynes expansion, which can most easily accommodate the growth projections while at the same time facilitating (in the next 10-15 years) the development of a second facility. Developing a new facility now in the Fort Point Channel area or elsewhere in the City would clearly be a situation analogous to putting the cart before the horse because the convention, market, hotel market, infrastructure and financing are not available. On the other hand, if the City acts now by expanding Hynes and encouraging additional hotel construction, it could stimulate the conditions which would enable the City to consider a second expansion phase.

An expanded Hynes would enable Boston to increase its annual rate of capture of 400 potential shows from 6% to 10% (25 to 40), to improve upon a 20 year rate of repeat bookings of one show in four, to accommodate 80% of the 150 large shows which, due to inadequate size facilities, currently cannot be booked in Boston, to leverage at least 1500 additional convention hotel rooms, and to double the number of conventions currently coming to Boston (from 25 to 50).

The development of a new facility would be contingent upon several factors including increasing Boston's rate of capture of national shows, the growth in the local trade and gate show market, significant new hotel construction, a state commitment to greatly expand its investment in convention facility development and operation, and the construction of the necessary public infracture for the Fort Point Channel area.

If at least one convention hotel could be developed now in the Back Bay as well as the Fort Point Channel area and Hynes could be expanded, Boston would be able to improve upon its rate of capture of gate, trade shows and national conventions. If Boston was successful in increasing the number of shows and encouraging new convention related hotel construction, the City could then consider initiating the development of a second facility.

C. Next Steps

1. The Prudential Center

The proposal to expand Hynes must be reviewed with the Prudential Insurance Company since much of the new construction would take place in a 57,000 sq. ft. portion of the Ring Road which they own.

The Hynes expansion is of potentially great benefit to this mixed-use complex. The expanded facility would include the addition of about 50,000 sq. ft. of retail space at street and plaza levels such as a new department store or a larger Star Market. The proposed new plaza level lobby area, furthermore, would draw much of the convention traffic through the Prudential retail plaza in order to enter the convention facility. A third benefit of this expansion is that it would reinforce Boylston Street as the major uptown shopping street by providing more activity at both the street and plaza levels.

2. State Financial Assistance Through New Legislation

The State's benefits from the $80m annually in the City's convention business exceed the City's by a ratio of at least 4-1. Furthermore, the City currently expends over $300,000 annually for operating Hynes while the State's contribution is limited to an annual appropriation to the Greater Boston Convention and Tourist Bureau of $125,000. It would seem reasonable, therefore, for the State to assist the City on a four to one ratio in this expansion.

It is recommended that new State legislation be passed which would reimburse the City for up to 80% of the development costs of the project and that the balance of construction be financed also through new legislation which would enable the City to levy an excise tax on hotel rooms.

3. The Copley Place Development and Parking for Hynes

The Hynes expansion is contingent upon additional hotel construction in close proximity to the convention hall. The Copley Place development includes a 850 room convention hotel. The development of this hotel should be encouraged as it is a logical compliment to the expansion of Hynes. Likewise, the developers of the Copley Place development, Urban Investment Development Corporation, should encourage the expansion of Hynes Auditorium.

Additional parking should also accompany the expansion of Hynes. The Dalton Street parking lot, located across from Hynes, is recommended as a logical site for a 600 car garage.

4. Hotel Construction in the Fort Point Channel Area

Commonwealth Pier is Boston's second major convention facility. Due to its location and design it is most suitable as a regional trade and gate show facility. There is ample parking and a large floor area. Additional shows could be attracted if there was a convention hotel located in close proximity to the Pier.

The location and design of the hotel as well as the Hynes expansion might be facilitated by a more thorough analysis of the space and location needs of the convention, trade and gate show market.

## III. BOSTON'S CONVENTION HALL MARKET: EXISTING AND POTENTIAL

### A. Overview of the Market

Public convention facilities rent their space to national meetings as well as to local trade and gate shows. While national conventions have a significant impact upon the economy in terms of dollars spent by conventioneers on hotel rooms, meals, transportation, retail sales, etc. they generally do not pay as much rent as do the local and regional trade and gate shows. The trade and gate shows, furthermore, as indicated on Table 3, account for at least one-half of the activities which take place at Hynes.

In contemplating an expanded or new facility, but especially the latter, consideration has been given to identifying the number of events which might be interested in booking space. On the basis of a preliminary survey, the gate and trade show market does not appear to offer any significant expansion potential beyond a small number of shows which might be attracted to Commonwealth Pier, a private facility leased by Massport, if there was a convention hotel near this facility. Thus, an assumption has been made that expanded convention facilities, to be fully utilized, will have to largely depend upon attracting national conventions.

The International Association of Convention and Visitors Bureau (IACVB) lists, with the exception of a small number of shows, those national conventions which might be interested in coming to Boston. In this listing are some 7,000 shows, the vast majority of which are hotel based. In other words, these shows do not have a large number of booths or the need for a large assembly hall and meeting rooms. An additional number of these shows which might be likely prospects for a public convention facility are based in a particular region or only hold their meeting in a warm climate.

By reviewing the IACVB index with convention planners, studying the bookings of other cities and various trade show publications, groups were identified which could presently come to Hynes or which might come to Boston with larger exhibit, auditorium and meeting room facilities and additional hotel rooms. These shows need to be in a public convention facility because they generally require exhibit space of at least 60,000 gross sq. ft. and an auditorium which can accommodate at least 2,000 persons. In addition, these groups are looking for a facility which is located within walking distance (8 blocks) of hotels where they can utilize banquet and meeting rooms in addition to sleeping rooms.

B. Need For Expanded Facilities

A number of cities, San Francisco and Atlanta, for example, are undergoing a significant expansion of their hotel and public meeting facilities. San Francisco is contemplating a new facility of 300,000 sq. ft. and Atlanta is about to build a 350,000 sq. ft. addition to their hall. Clearly, if Boston is to remain competitive with these cities, it will have to improve its hotel, exhibit and meeting facilities.*

A review of Boston's 20-year history of attracting conventions highlights the need for more competitive facilities. During this study period only about one-half of the 400 shows (205) which the convention bureau planners identified as prospects for Hynes were booked in this facility and only one in four of these groups returned. Furthermore, only a small number of additional shows, 20 of 150, were identified which required additional hotel rooms but no expanded meeting facilities in order to come to Boston.

With Hynes operating at near optimum capacity, which is 25-30 national shows per year, this facility is unable to augment its 6% rate of capture. Expanded facilities, on the other hand, will enable Boston to accommodate a larger number of shows, to book 15% (43) of the 205 shows which have outgrown Hynes as well as to attract some percentage of the 150 large shows which currently cannot come to Boston.

Currently a number of cities with a comparable number of hotel rooms as Boston have larger exhibit halls and more meeting rooms. As indicated on Tables 4 and 5, if Boston could increase its exhibit and meeting space requirements (approximately 250,000 sq. ft. of exhibit space and 50 meeting rooms) its facilities would be similar in size and/or least as competitive as those major East Coast convention cities: New York City, Philadelphia, Miami and New Orleans. Only the largest halls, the proposed expansion in NYC and Atlanta as well as the existing halls in Chicago, Atlantic City, Houston and Dallas, would be significantly larger.

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* See BRA report: A Growth Strategy for Boston's Hotel and Convention Industry for comprehensive discussion of Boston's need to expand its convention facilities.

C. Present Capture: Existing and Potential Market

An evaluation of the IACVB index and other material which identifies national conventions and trade shows indicated that Hynes could attract some 400 shows, given its present hotel (assuming 3,499 committable rooms) and exhibit facilities. Taking a twenty-year period from 1965, the year Hynes opened, until 1985, (the limit of the current bookings) Boston will have attracted 205 of the 400 shows or one-half of the present market. Presently, Hynes averages some 25 shows per year so that it captures some 6% of the meeting market annually.

If Boston were to increase its convention facilities, an additional 150 shows have been identified which would be prospects for Boston. The specific meeting, exhibit and hotel requirements of 130 of these groups are indicated on Table 1. In addition, there are some 20 additional shows which could currently come to Boston given its present exhibit and meeting facilities if the City had an additional 1500-2000 committable hotel rooms.

D. Theoretic Capture Rate

In theory, national conventions travel across the country on a ten-year cycle so that they would be prospects for Boston once every ten years. Given this theoretic market level of demand, Boston should presently be able to capture annually some 40 shows assuming there were sufficient facilities, hotel rooms and meeting space. With larger facilities an additional 15 shows (10% of 150 large shows) could be attracted each year.

The extent to which Boston could capture or exceed the theoretic level of demand (55 shows annually) depends on a variety of factors which cannot precisely be determined at this time. Such variables as the competition with other cities, the nature of the national and regional economy, the growth of the national convention market, the ability of Boston to present a package of facilities and image which is competitive, have to be considered.

The evaluation of the development options which follow projects a capture rate which ranges between 6% and 10%. While other cities might be below or above this range, the past record of capture and the problems associated with expansion would seem to indicate that this spread is reasonable.

## IV. ANALYSIS OF DEVELOPMENT OPTIONS

### A. Increasing Boston's Capture of Conventions With Expanded Facilities

An analysis of the convention market indicates that an expanded Hynes could capture an additional 25 conventions per year while a new facility assuming all necessary meeting, hotel and infrastructure, could capture some 30 additional shows a year.

In evaluating the occupancy characteristics of the development options, one must identify the number of shows which each size facility could attract assuming hotel rooms were available to attract these shows and evaluate whether this is an adequate number of bookings to justify its construction and operation.

An expanded Hynes, Alternative I, might permit a doubling of the number of shows (from 25 to 50), which currently take place because of a larger and more flexible arrangement of space permitting the concurrent operation of the facility by two or three shows.

The analysis of convention market data indicates that this operating potential could be achieved if Hynes were expanded. An enlarged Hynes would permit the City to increase from 6% to 10% (25 to 40) its annual rate of capture of the 400 smaller conventions which can be accommodated by the present facility as well as to accommodate 80% of the large shows (120 of 150) which currently can't come to Boston capturing 10 of these conventions a year for a total of 50 conventions annually.

In evaluating Alternative II, a new facility, one must keep in mind that Hynes would continue to accommodate, because of its proximity to various Back Bay Hotels 25 conventions per year, thus a new facility would have to depend upon attracting a large number of new groups in order to operate at something close to full occupancy.

The construction of a 150,000 sq. ft. facility, Option A of Alternative II, would be unable, if it contained all the necessary components, i.e., auditorium, meeting space, parking, etc., to attract any of the 130 larger conventions which the City is presently losing. Thus, assuming Hynes continued to accommodate 25 national conventions/year, there would be a balance of 18 shows annually (given a 10% rate of capture) interested in renting space at a new exhibit hall.

Option B, a new 300,000 sq. ft. facility, is estimated to have the potential to capture 29 new conventions per year. One-half of these groups would be from the list of 400 small shows and the balance, 14 conventions annually, would be from the listing of 150 large shows which the City presently cannot attract.

The construction of an even larger facility; 750,000 sq. ft. would, because of the small number of conventions requiring such a facility, generate possibly one additional show per year (10% of the 11 largest shows noted on Table 2) or a total of 30 shows per year.

Considering the limited number of shows which a new facility could generate, assuming a 10% rate of capture and the presence of Hynes attracting 25 conventions/year, it would be necessary to rent space to local and regional trade and gate shows as well as conventions in order to minimize the operating deficit which in some cities exceeds $1 million a year. But a survey of the local and regional show market has thus far not indicated significant growth potential. Thus Option A, a 150,000 sq. ft. facility, would have about one-half the number of national conventions which currently take place at Hynes and a 300,000 sq. ft. facility, Option B, twice the size of Hynes, would operate with about the same number of conventions as Hynes does currently. And neither option would have a significant size market of local and regional gate and trade shows unless the facility was to capture the business which currently utilizes Commonwealth Pier.

B. Expanded Facilities and the Need for More Hotel Rooms

1. The location and number of hotel rooms, existing and proposed, for Boston best fits the alternative of expanding the Hynes Auditorium.

   Boston currently has 7100 hotel rooms or 3500 rooms committable for a convention. The number of rooms is barely adequate to serve the 25 annual shows which currently can be accommodated at Hynes. But in order to attract additional shows to Boston more hotel rooms will be required both because during peak convention months, spring and fall, there are very few vacancies and because the 150 large shows require additional hotel rooms, upwards of 11,000+ to be accommodated (see Table I).

The number of rooms needed to attract shows to a given size facility are not necessarily the number of hotel rooms which will be constructed. In other words, as indicated on Table I, 86 of the 150 large shows (of which 66 are indicated on Table I, Columns 2,3) require between 3500 and 7000 committable rooms, double the number which currently exist. But given the limited number of such shows which would be attracted to Boston annually (possibly 9 a year assuming a 10% rate of capture) these additional rooms would not be constructed unless there was a commercial and tourist market of adequate size to utilize the rooms when they were not needed by a convention.

Projecting the market for new hotel rooms is greatly dependent upon such uncertainties as the growth of the national economy, and the competitive attractiveness of Boston relative to other cities. These factors not withstanding, a draft report by the BRA research department indicated the possibility of a market for 7000 additional hotel rooms in the City over the next 7 years assuming Hynes was expanded as proposed and the regional market for tourism and business continued to increase.

In evaluating the development options in terms of the minimum number of rooms needed to optimize the investment in convention facilities, the Hynes expansion is the preferred alternative assuming a convention hotel such as is proposed for Copley Place is developed. With this package of improvements, an expanded Hynes and 1500 additional hotel rooms of which the Copley place hotel would provide 850 rooms, Hynes could immediately capture 68 of the 150 shows which the City cannot now attract; 20 because of additional hotel construction and 48 because of expanded exhibit space and hotel rooms (see Table I, Columns 2,3). Furthermore, since an expanded Hynes would provide space for double the current number of shows as well as attract many large conventions which can't now come to Boston, this alternative would stimulate significant additional hotel construction. With an additional 2,000 convention orientated rooms or a total of 7,000 committable hotel rooms, the facility could then attract an additional 31 of the 150 large shows.

Under Alternative II, a new facility, conventioneers would have to travel from the Fort Point Channel area, a location distant from any major convention hotel. Thus new hotels
would have to be constructed to serve either of these

proposals. This liability is a significant constraint when considering Option B, a 300,000 sq. ft. facility because one third of the shows (9 of 29) which are projected to annually utilize this facility would require at least 7000 committable hotel rooms, double the number of rooms which currently exist. In fact 3 of these 9 shows would require 11,000+ committable hotel rooms, three times the number of rooms which currently exist. But in the next 10-15 years as the growth of hotels and the convention market increases, Boston might then be in a position to initiate the development of a new facility. Building a new facility now, especially one of 300,000 sq. ft., is not justified because of the current size of the convention and new hotel market.

## SUMMARY OF POTENTIAL CAPTURE

A. Alternative I: Expand Hynes into an exhibit hall containing 250,000 sq. ft.

| Annual Rate of Capture: | 6% | 10% |
|---|---|---|
| of 400 shows (present market) | 25 | 40 |
| of 20 shows (assuming an additional 1,500 hotel rooms) | 2 | 2 |
| of 79 shows (potential market, see Table 1, and assuming 7,000+ committable rooms) | 5 | 8 |
| TOTAL Shows annually | 32 | 50 |

B. Alternative II

Option A: Keep Hynes as is, build convention facility of 150,000 sq. ft. including a large auditorium (10,000 seats)

| Annual Rate of Capture: | 6% | 10% |
|---|---|---|
| of 400 shows (present market) | 25 | 40 |
| of 20 shows (assuming an additional 1,500 hotel rooms) | 2 | 2 |
| of 12 shows (assuming auditorium of 5,000+ seats and 11,000 committable hotel rooms - see Table 2) | 1 | 1 |
| TOTAL shows annually | 28 | 43 |

Option B: Keep Hynes as it is, build large new convention facility similar to Alternative I, but with larger auditorium and exhibit space.

Two sub-options have been considered: an exhibit hall of 300,000 (Option B) or one of 750,000 (Option B') sq. ft.

Option B: A 300,000 sq. ft. exhibit hall.

| Annual Rate of Capture: | 6% | 10% |
|---|---|---|
| of 400 shows (present market) | 25 | 40 |
| of 20 shows (assuming an additional 1,500 hotel rooms) | 2 | 2 |
| of 98 shows (See Table 1, Columns 2,3; assuming 11,000 committable rooms) | 6 | 10 |
| of 21 shows (See Table 2, Columns 2,3; assuming 14,000+ committable hotel rooms, and a large auditorium and exhibit space). | 2 | 2 |
| TOTAL | 35 | 54 |

Option B[1]: A 750,000 sq. ft. exhibit hall

| Annual Rate of Capture: | 6% | 10% |
|---|---|---|
| of 400 shows (present market) | 25 | 40 |
| of 20 shows (assuming an additional 1500-2000 hotel rooms) | 2 | 2 |
| of 98 shows (see Table 1, Alternative 1) | 6 | 10 |
| of 21 shows (see Table 2, columns 2,3:) | 1 | 2 |
| of 11 shows (balance of 130 shows, Table 2, column 4) | 1 | 1 |
| TOTAL shows annually: | 35 | 55 |

## V. COSTS AND BENEFITS OF THE ALTERNATIVES

Investment in a new convention center, Alternative II, would cost about three times the $35m required for Alternative I, an expanded Hynes, in both direct costs for construction and indirect costs for infrastructure, in order to equal or exceed the $80m annually which the Hynes expansion might generate.

1. Alternative I: Expansion of Hynes

Direct costs: $24m required for construction expansion, land acquisition and refurbishing Hynes.

Indirect costs: The cost of a 600 car parking garage and the provision of 50,000 sq. ft. of retail space is estimated to cost $11m for a total development cost of $35m.

Benefits:

- Opportunity to capture close to the maximum theoretic number of shows Boston could attract because expansion would permit a doubling of the number of shows currently held at Hynes from 25 to 50.

- Opportunity to attract 80% of the 150 largest shows which Boston presently can't accommodate because of inadequate size facilities.

- Reinforce Back Bay as hotel convention center by stimulating development of Copley Place and additional hotels proposed for area.

2a. Alternative II: Option A: A new 150,000 sq. ft. convention hall.

Direct costs: $42m required for constructing 150,000 sq. ft. hall without an auditorium, assuming 40% additional area for loading, lobby, meeting rooms, circulation, i.e., 225,000 sq. ft. X $150/sq. ft.

- Note: For purposes of this analysis, construction cost figure of $150/sq. ft. utilized so as to reflect probable direct and indirect costs of a new facility.

Other limitations:

- To the extent that a new facility was not self-sufficient, but required a new arena or Commonwealth Pier for large meeting or exhibit space and had inadequate public transit, access and a

commercial/cultural environment, the facility would be marginally competitive in attracting national shows. The cost of this potential failure would be the opportunity cost of not having expanded Hynes and the cost of subsidizing annually the deficits of the new hall.

- o Assuming there was a new arena which could be used as an auditorium and had time to make space available, with the exception of 12 additional shows, the facility would compete for the same market as Hynes.

- o The facility would compete with Commonwealth Pier for same convention, trade and gate shows, thus undermining this facility.

Benefits:

- o Assuming a viable facility with all necessary components, a theoretic market draw of 18 shows a year could be achieved. In addition, the development of a new facility in Fort Point Channel would stimulate hotel construction.

2b. Alternative II

Option B: Large New Facility

| Costs: | Option B<br>300,000 sq. ft. | Option B[1]<br>750,000 sq. ft. |
|---|---|---|
| Direct Costs: | $75m | $168m |

Indirect costs: As yet unspecified, assume $20m, including monies for land acquisition, construction of necessary infrastructure, i.e., roads, utilities, transit, parking for 1500 to 3000 spaces for a total development cost of $95m.

Other Limitations:

- o A significant operating deficit would have to be financed under either Option B or B[1]. As described earlier, the potential theoretic capture of Option B is 54 shows and Option B[1] is 55 shows. One-half of this market would continue to be attracted to Hynes leaving a facility twice its size with the potential to capture only an equivalent number of conventions.

- o The role of the Back Bay as the City's convention center would be undermined as well as plans and projects to upgrade Copley Square, the Prudential Center, Park Square and Boylston Street.

Benefits:

- As Alternative I, potential for doubling number of shows now held at Hynes.

- Stimulate the development of various hotels, depending upon the size and capture of facility and the general market for additional hotel rooms.

- Stimulate development of arena, access, parking, etc.

- Note: Option $B^1$ has not been considered a viable option throughout the text of this report because of the limited size of the convention market, the cost of building and operating a 750,000 sq. ft. facility, and the unlikelihood of a four-fold increase in hotel rooms (14,000 committable rooms vs. 3,500 current supply).

## VI. THE BENEFITS OF EXPANDED CONVENTION FACILITIES AND THE NEED FOR STATE FINANCIAL ASSISTANCE

Convention business in Greater Boston currently generates some $80M annually in expenditures for hotel rooms, restaurants, retail sales, transportation, etc. At least one-half of this revenue results from business generated by Hynes and the balance from hotel-based meetings. In addition to these expenditures, the convention business in Greater Boston generates some $8 million in sales and income taxes, one-half of which is attritubable to Hynes. An additional approximately $2 million in City of Boston property taxes and 1400 hotel jobs result from the Hynes related hotel room sales annually.

An expansion of Hynes has the potential to double the number of shows which take place at this facility and to leverage some 3500 additional committable hotel rooms.

Yet there is little justification for the City to expand its convention facilities when the State benefits on a four to one basis ($8m vs. $2m), from the revenue which the industry generates. Most states make significant contribution to the financing and promotion of convention business (see Tables 6, 7). Currently the only contribution by the State is an annual appropriation of some $125,000 to the Greater Boston Convention and Tourist Bureau. Meanwhile, the City and convention bureau make an annual payment of some $700,000 towards this industry. The convention bureau raises some $400,000 annually in order to provide various services to its members and the City annually pays $180,000 to repay the notes for constructing Hynes and $100,000 annually to defray the operating deficit of Hynes.

Assistance from the state to facilitate the Hynes expansion could come in two forms as a result of new legislation. The project is projected to cost some $35m million, itemized as follows: Hynes expansion and land acquisition, $21m; renovation of Hynes, $3m; retail space construction, $3m; garage construction, $8m.

State grant money could be utilized to underwrite a portion of these construction costs. The balance of the investment could then be financed by an excise tax which the City would levy on hotel rooms. Seperate legislation to reimburse Boston for the construction of the Hynes expansion and to enable Boston to levy an excise tax on hotel rooms has been submitted to this session of the General Court.

# APPENDIX

DEFINITIONS

There are three types of shows which use convention facilities: conventions, trade and gate shows. The space and locational requirements differ in each and it is the conventions and trade shows which are of primary economic benefit to the municipality.

1. Convention

A meeting generally held in a hotel and centered around the membership of a local, regional or national organization. A small percentage of the total market requires a large facility consisting of a stage, auditorium, exhibit hall, meeting rooms, and banquet halls. These should be in proximity to first-class hotels, shopping, restaurants, and the airport. The majority of visitors are from out of town; parking, therefore, is not critical. Many conventions are no longer tied to a regional market. Of the total exposition hall business, 2/3 is of a convention nature.

2. Trade Show

A meeting of a professional group, not open to the public, where registration is required. As with a convention, a large proportion of these meetings take place in hotels. If a meeting hall is required it should contain a large exhibit area for booths and display areas, and meeting rooms. Hotel rooms and banquest halls in proximity to the exhibit hall are desired. Approximately 75% of the visitors come from within a 200-mile radius; adequate parking is a necessity.

Trade shows tend to have a large regional attraction. In Boston, medical, educational, electronics, and possibly printing and furniture are the major types of trade shows attracted to this region. The average trade show booth is 10'X10' (110 sq. ft.). One assumes that one-half of the gross floor area of an exhibit hall is available for booths (excluding common areas). Thus, a 100,000 square foot arena can handle a 500-booth show. Most trade shows need only 40-60,000 square feet for 200-300 booths.

3. Gate Show

A promotional/sales exhibit open to the public for a fee. A large exhibit space is needed as is adequate access and parking. The majority of visitors come from the metropolitan area. Gate shows, therefore, in contrast to conventions and trade shows, generate significantly less impact on the local economy (i.e., hotels, restaurants, transportation, etc.).

## The Convention Bureau and the Auditorium Commission

The Auditorium Commission of five members was established in 1954 wuth the responsibility to construct, operate and maintain a municipal auditorium and exhibit hall. The staff of the commission are responsible for booking of space and the supervision of the facility.

The Convention Bureau is an independent non-profit organization supported primarily by corporate membership. The Bureau exists independent of the Auditorium Commission and is charged with promoting convention and tourist business. The Bureau has a staff of three salesmem who actively seek to book trade and gate shows for both Hynes Auditorium and the greater Boston hotels.

## Hynes Auditorium

Hynes Auditorium contains 150,000 sq. ft.; this includes 60,000 sq. ft. in the first floor exhibition hall and 30,000 sq. ft. in the assembly hall for 90,000 sq. ft. on the entire first floor level, plus 60,000 sq. ft., in the second floor exhibition hall. The 30,000 sq. ft. assembly hall can be used for exhibits or meetings of up to 5,500 people. Within the building there are 10 permanent meeting rooms containing 10,000 sq. ft. and 13 modular meeting rooms. In addition, the basement of the building contains approximately 40,000 sq. ft. of storage space. The convention hall does not contain any parking, although Prudential Center commercial parking, especially on week-ends is available.

TABLE 1
130 LARGE NATIONAL CONVENTIONS: SPACE REQUIREMENTS

| | | MEETING SPACE REQUIREMENTS | | | | |
|---|---|---|---|---|---|---|
| | | AITERNATIVE I | | ALTERNATIVE II | | |
| | COMMITTABLE HOTEL ROOMS | MEETING ROOMS (20+) | EXHIBIT SPACE: 250,000 | EXHIBIT SPACE: 250,000+ | AUDITORIUM 5,000+ SEATS | TOTAL |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| Existing | -2900 | 2 | 22 | 3 | 2 | 29 |
| | 3000-3499 | 2 | 3 | - | 1 | 6 |
| Copley Place Hotel | 3500-3999 | 4 | 4 | 1 | - | 9 |
| | 4000-4999 | 2 | 9 | 2 | 2 | 15 |
| New Construction | 5000-5999 | 6 | 7 | 3 | 4 | 20 |
| | 6000-6999 | 6 | 12 | 4 | - | 22 |
| | 7000-7999 | 3 | 3 | 1 | 2 | 9 |
| | 8000-8999 | 2 | 2 | 1 | 1 | 6 |
| | 9000-9999 | 1 | 1 | - | - | 2 |
| | 10,000-10,999 | - | 2 | 3 | - | 5 |
| | 11,000+ | - | 5 | 2 | - | 7 |
| | TOTALS | 28 | 70 | 20 | 12 | 130 |

Source: Boston Redevelopment Authority, Planning Department, Laurence Koff, data based upon IACVB Reports and files of GBCTB.

TABLE 3

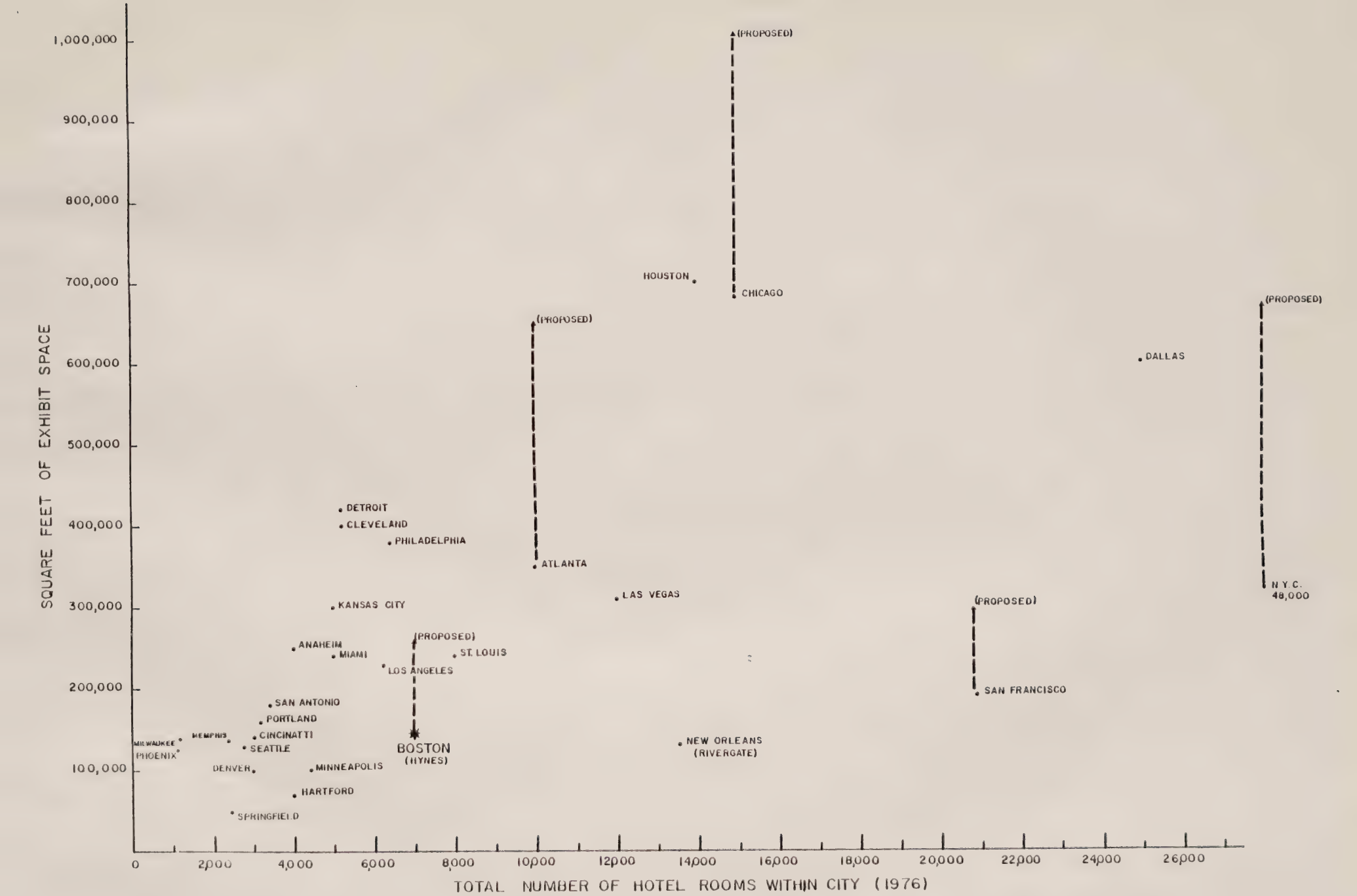
HYNES AUDITORIUM

OPERATING CHARACTERISTICS

| | 1972 | 1973 | 1974-1975 (July 1-June 30) | 1975-1976 |
|---|---|---|---|---|
| Profit/Loss | | | | |
| Income | $ 460,525 | $ 471,684 | $ 489,049 | $ 585,514 |
| Expenses* | 483,877 | | 613,197 | 692,591 |
| Balance | -$ 23,352 | | -$ 124,148 | -$ 108,077 |
| Occupancy(% of days) | 75% | 85% | 75% | 83% |
| Meeting Type | | | | |
| Convention | 14 | 18 | 22 | 25 |
| Trade | 11 | 11 | 10 | 8 |
| Subtotal | 25 | 29 | 32 | 33 |
| Gate | 15 | 18 | 16 | 11 |
| Public | 23 | 11 | 27 | 20 |
| Subtotal | 38 | 29 | 43 | 31 |
| Public Schools | 17 | 17 | 20 | 20 |
| Total Events | 80 | 75 | 95 | 84 |

*Note expenses do not include debt service of $180,000/year.

Source: Boston Redevelopment Authority, Downtown Development Department, Laurence Koff, data from annual reports of Auditorium Commission.


SQUARE FEET OF EXHIBIT SPACE
1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
2000
4,000
6,000
8,000
10000
12000
14000
16000
18,000
20,000
22000
24000
26000
TOTAL NUMBER OF HOTEL ROOMS WITHIN CITY (1976)
(PROPOSED)
CHICAGO
HOUSTON
(PROPOSED)
ATLANTA
DETROIT
CLEVELAND
PHILADELPHIA
KANSAS CITY
LAS VEGAS
DALLAS
(PROPOSED)
N.Y.C.
48,000
(PROPOSED)
SAN FRANCISCO
(PROPOSED)
BOSTON
(HYNES)
ANAHEIM
MIAMI
ST. LOUIS
LOS ANGELES
SAN ANTONIO
PORTLAND
CINCINATTI
SEATTLE
MEMPHIS
MILWAUKEE
PHOENIX
DENVER
MINNEAPOLIS
HARTFORD
SPRINGFIELD
NEW ORLEANS
(RIVERGATE)

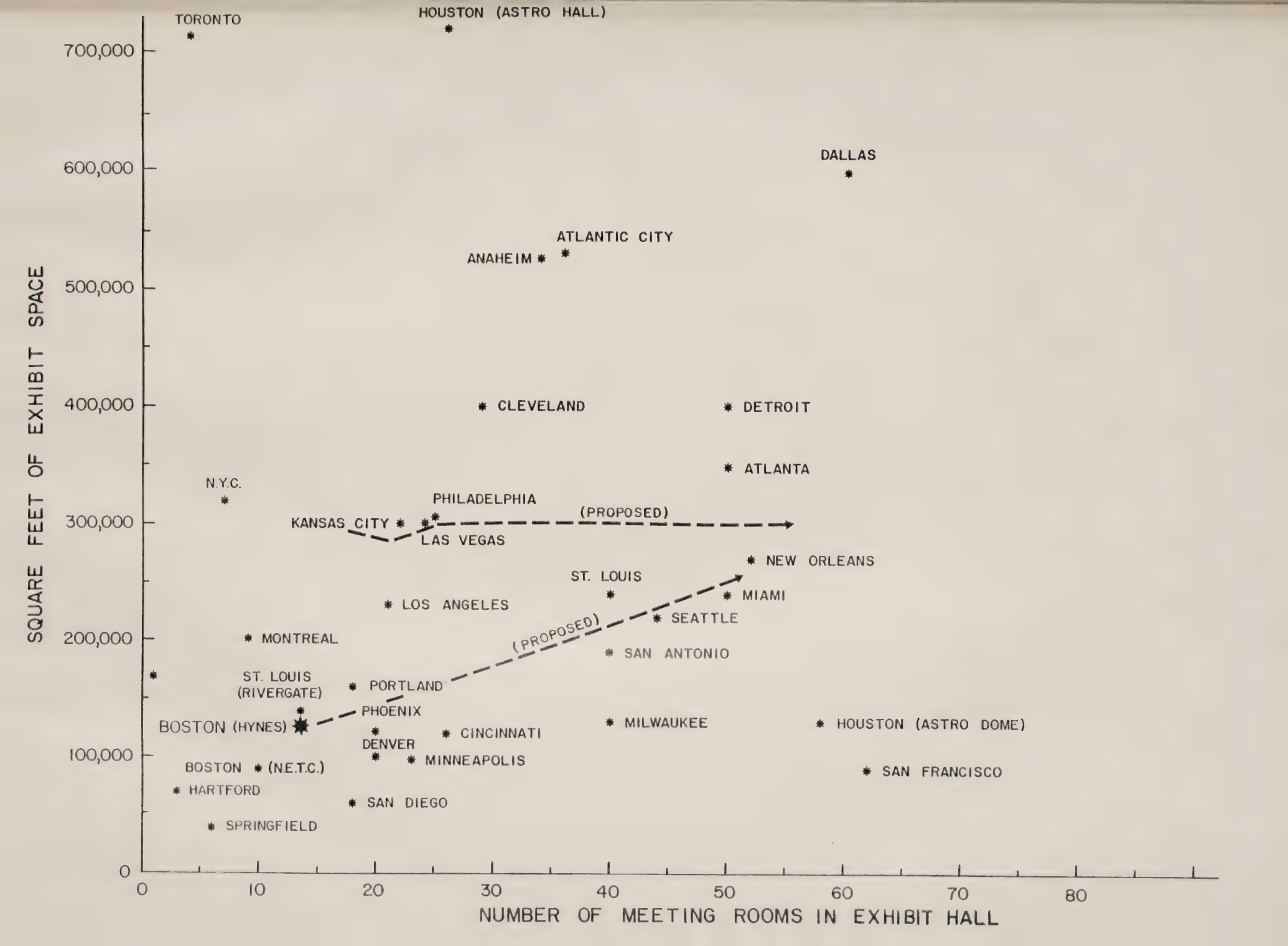

TORONTO
HOUSTON (ASTRO HALL)
DALLAS
ATLANTIC CITY
ANAHEIM
CLEVELAND
DETROIT
ATLANTA
N.Y.C.
PHILADELPHIA
KANSAS CITY
(PROPOSED)
LAS VEGAS
NEW ORLEANS
ST. LOUIS
MIAMI
LOS ANGELES
SEATTLE
MONTREAL
(PROPOSED)
SAN ANTONIO
ST. LOUIS (RIVERGATE)
PORTLAND
PHOENIX
BOSTON (HYNES)
MILWAUKEE
HOUSTON (ASTRO DOME)
CINCINNATI
DENVER
MINNEAPOLIS
BOSTON (N.E.T.C.)
SAN FRANCISCO
HARTFORD
SAN DIEGO
SPRINGFIELD
SQUARE FEET OF EXHIBIT SPACE
0
100,000
200,000
300,000
400,000
500,000
600,000
700,000
0
10
20
30
40
50
60
70
80
NUMBER OF MEETING ROOMS IN EXHIBIT HALL

TABLE 6

COMPARATIVE HOTEL ROOM TAX RATES

BY STATE AND BY TYPE OF TAX AS OF 6/76

| State | State Hotel Room Occup. Tax | Local Option Room Occup. Tax | State Sales/ Use Tax Covering Occup. | Total Effec. Hotel Room Occup. Levy |
|---|---|---|---|---|
| Connecticut | - | - | 7 | 7 |
| District of Columbia | - | - | 8 | 8 |
| Florida | - | 2 | 4 | 6 |
| Georgia (Atlanta) | - | 3.7 | 3 | 6.7 |
| Illinois (Chicago) | 4.75 | 2 | - | 6.75 |
| Kentucky | - | 3 | 5 | 8 |
| Louisiana | - | 3 | 3 | 6 |
| Maryland (Baltimore) | - | 3-5 | 4 | 7-9 |
| MASSACHUSETTS | 5.7 | - | - | 5.7 |
| Michigan (Detroit) | - | 5 | 4 | 9 |
| New Jersey | - | - | 5 | 5 |
| New York (New York City) | - | 4.6 | 4 | 8.6 |
| Ohio | - | .5-3 | 4 | 4.5-7 |
| Pennsylvania | 6 | - | - | 6 |
| Tennessee | - | 5 | 4.5 | 9.5 |

SOURCE: Boston Redevelopment Authority,
Research Department,
C. Carlaw, January 5, 1977
from Commerce Clearing House, Inc.
State Tax Guide

TABLE 7

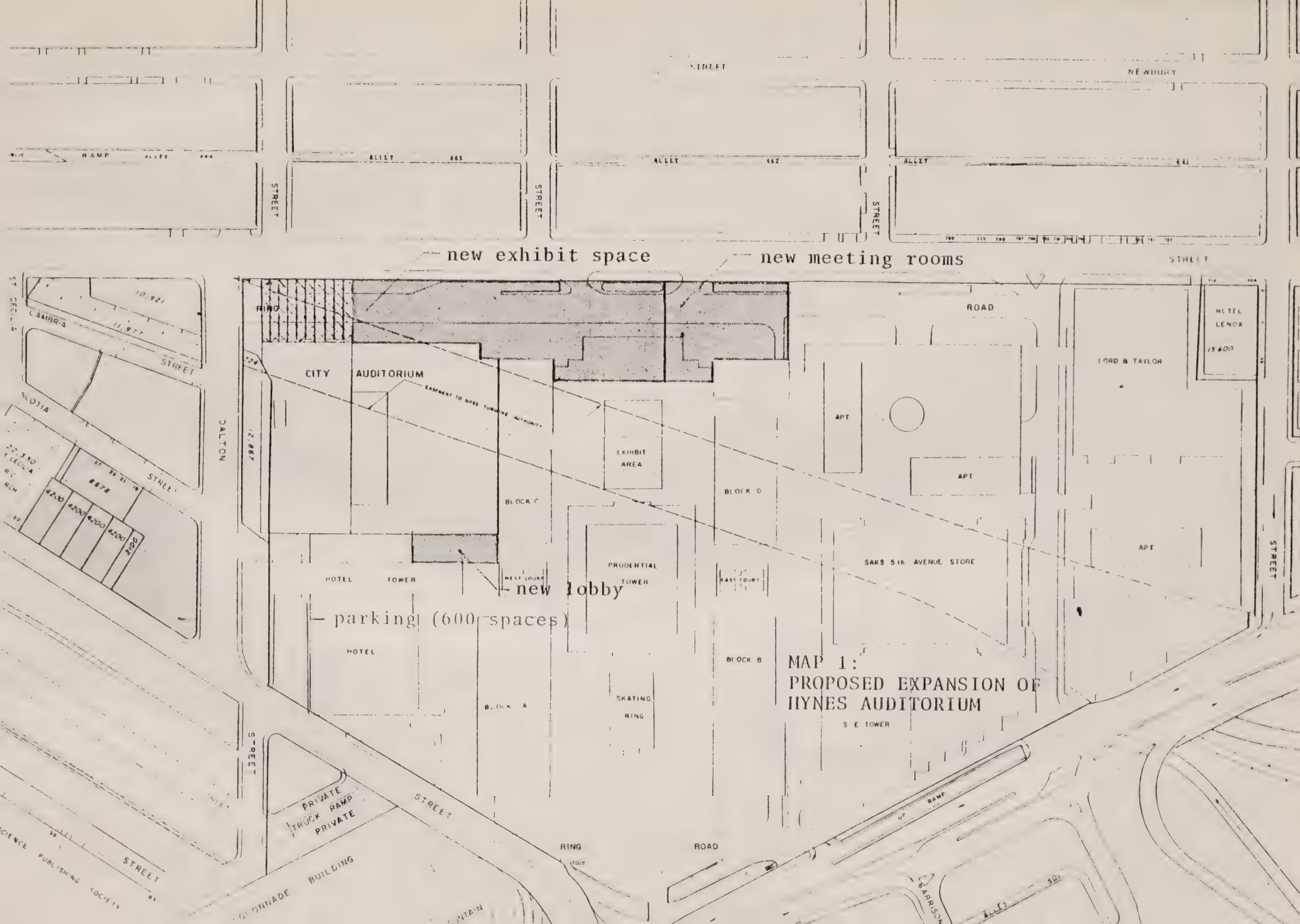
IACVB TAX SURVEY 1976

| Ranking | City | Total Budget | Membership Dues | City $ | Tax Base Support State $ for promotion | $ for construction/debt | Grants or Matching |
|---|---|---|---|---|---|---|---|
| 1. | Chicago | 1,240,000 | 472,000 | -- | 768,000 | -- | -- |
| 2. | New York | 925,000 | 625,000 | 300,000 | -- | -- | -- |
| 3. | Toronto | 905,000 | 243,000 | -- | -- | -- | 519,000 |
| 4. | New Orleans | 829,000 | 300,000 | 100,000 | 400,000 | 1,700,000 | -- |
| 5. | Detroit | 786,000 | 270,000 | 250,000 | 118,000 | -- | -- |
| 6. | Louisville | 783,000 | -- | -- | 726,000 | -- | -- |
| 7. | Atlanta | 620,000 | 200,000 | -- | 400,000 | -- | 226,000 |
| 8. | Washington, D.C. | 615,000 | 415,000 | 200,000 | -- | -- | -- |
| 9. | Philadelphia | 605,000 | 220,000 | -- | -- | -- | 385,000 |
| 10. | Atlantic City | 525,000 | 525,000 | -- | -- | -- | -- |
| 11. | Baltimore | 355,000 | 100,000 | 125,000 | 115,000 | -- | -- |
| 12. | Pittsburg | 335,000 | 99,000 | 92,000 | -- | -- | 226,000 |
| 13. | BOSTON | 311,000 | 190,000 | 20,000 | 54,000 | -- | -- |
| 14. | Miami Beach | 300,000 | -- | -- | 300,000 | -- | -- |
| 15. | Cincinnati | 295,000 | 110,000 | -- | 181,000 | 199,000 | -- |
| 16. | Hartford | 280,000 | 80,000 | -- | 200,000 | -- | -- |
| *17. | *Cleveland | 240,000 | 28,000 | 100,000 | -- | -- | -- |
| 18. | Montreal | 205,000 | 134,000 | -- | -- | -- | -- |

* Indicates 1972 figure

Source: Boston Redevelopment Authority, Downtown Development Department, Laurence Koff, from IACVB Tax Survey, 1976.

Note: Of cities which have Convention Bureaus, Boston ranks about 35th in size of total Bureau Budget.


new exhibit space
new meeting rooms
new lobby
parking (600 spaces)
CITY AUDITORIUM
EXHIBIT AREA
BLOCK C
BLOCK D
BLOCK B
BLOCK A
HOTEL TOWER
PRUDENTIAL TOWER
SKATING RING
SAKS 5th AVENUE STORE
LORD & TAYLOR
HOTEL LENOX
APT
APT
APT
ROAD
RING
ROAD
STREET
STREET
STREET
STREET
STREET
STREET
STREET
STREET
CALTON
CAMBRIA
SCOTIA
PRIVATE TRUCK RAMP PRIVATE
BUILDING
S E TOWER
MAP 1:
PROPOSED EXPANSION OF
HYNES AUDITORIUM

MAP 2:
FORT POINT CHANNEL
PROPOSED CONVENTION CENTER SITES
1
2
1 HOTEL/CONVENTION
2 ARENA/CONVENTION

.U24 52

CBD
B65r
1976

BRA

AUTHOR

Expanding Boston's Conven..

TITLE

| DATE LOANED | BORROWER'S NAME |
| --- | --- |
| | |
| | |
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| | |